



State Board of Equalization

# News Release

**Judy Chu, Ph.D.**  
**Vice Chair**

**4<sup>th</sup> District – Los Angeles**

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## **KEEP THOSE RECIEPTS: ONLINE AND OUT-OF-STATE PURCHASES ARE TAXABLE**

Board of Equalization (BOE) Vice-Chair Judy Chu today reminded online shoppers and those who make out-of-state purchases that they need to carefully track receipts to determine if California tax was collected.

Most consumers are familiar with sales tax that is applied when a purchase is made from a local retailer. But if the retailer is not required to collect the sales tax, as is the case with many out-of-state retailers, the consumer is required to pay an equivalent use tax on the item.

While Internet access remains tax free, Internet purchases are subject to the same tax as all other purchases. California use tax has existed since 1935. It was established to eliminate the price advantage of out-of-state retailers would have over California businesses when sales tax is not due.

The use tax rate is the same as the sales tax rate. The rate of tax owed is based on where the items will be used, which usually means where the purchaser lives. Sales and use tax rates range from 7.25% to 8.75% in California.

Although some out-of-state businesses collect California use tax and pay it to the state for the convenience of their customers, many out-of-state businesses do not. As a result, consumers owe California use tax on those items purchased for consumption, use or storage in California.

Use tax reporting can be done by individual and business taxpayers, not required to hold a seller's permit, most conveniently through a separate line on their California income tax return. A BOE Consumer Use tax return can also be filed directly to BOE. If the purchaser has a seller's permit, the use tax should be reported on their regular return.

Revenue from the sales and use tax supports California programs and services including law enforcement, health care, transportation, housing, and many others.

A consumer use tax return, along with an information booklet, *California Use Tax for Purchases Made from Out-of-State Businesses*, published by the Board of Equalization is available at [www.boe.ca.gov/pdf/pub79b.pdf](http://www.boe.ca.gov/pdf/pub79b.pdf). Additional information can be obtained by contacting the BOE Information Center at 800-400-7115.

Of the \$53 billion in taxes and fees collected by the Board of Equalization annually, about \$44 billion is from sales and use taxes.

The five-member Board of Equalization is a publicly elected tax board. The Board collects nearly \$53 billion annually in taxes and fees supporting state and local government services. The Board hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and plays a significant role in the assessment and administration of property taxes.

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